



**FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD**

APPELLANT: AutoZone, Inc., Store #2284
DOCKET NO.: 18-02066.001-C-1
PARCEL NO.: 05-22-401-219

The parties of record before the Property Tax Appeal Board are AutoZone, Inc., Store #2284, the appellant, by Nathaniel Beck, III, Attorney at Law, in Chicago, and the Lake County Board of Review.

Based on the facts and exhibits presented in this matter, the Property Tax Appeal Board hereby finds a reduction in the assessment of the property as established by the **Lake** County Board of Review is warranted. The correct assessed valuation of the property is:

LAND: \$173,223
IMPR.: \$68,420
TOTAL: \$241,643

Subject only to the State multiplier as applicable.

Statement of Jurisdiction

The appellant timely filed the appeal from a decision of the Lake County Board of Review pursuant to section 16-160 of the Property Tax Code (35 ILCS 200/16-160) challenging the assessment for the 2018 tax year. The Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of the appeal.

Findings of Fact

The subject property is improved with a one-story single-tenant retail building of painted concrete block construction with 7,475 square feet of building area on a concrete slab foundation. The subject building has central air conditioning and two bathrooms. The building was built in 2006 and has a concrete block exterior construction. The subject property is used as an automobile supply outlet. The property has a 1.14-acre or 49,632 square foot site resulting in a land-to-building ratio of 6.6:1. The property includes an asphalt paved parking lot for 28 cars which is located in Volo, Grant Township, Lake County.

The appellant contends overvaluation as the basis of the appeal. In support of this argument, the appellant submitted an 82-page appraisal report prepared by Frank C. Urban and James M. Elkins. Urban is a Certified General Real Estate Appraiser and, at the time of the report, Elkins was an Appraiser Trainee. Based upon use of utilized the cost, income and sales comparison approaches to value, the appraisers estimated the subject property had a market value of \$725,000 or \$96.99 per square foot of building area, including land, as of January 1, 2015.

The purpose of the appraisal was to develop an opinion of market value for *ad valorem* tax assessment purposes. The subject building was reported as being in average overall condition and was ground leased to AutoZone in September 2005 for a twenty year term with four, five-year options at a rate of \$8.70 per square foot of gross building area on a triple net basis (Appraisal, p. 9-10).

As outlined in the appraisal report, when valuing the unencumbered fee simple interest "in national auto parts retail properties," it is imperative that leased fee and value in use sales be adjusted for those rights; the appraiser also noted that often such sales must be excluded (see Cover Letter, p. 1 & Appraisal, p. 9-10, 73-74). Custom built buildings, such as the subject constructed for Auto Zone, are built for a particular use, have a particular layout, design and other features. The appraisers wrote that any leases on build-to-suit properties are structured to allow the developer to recoup the costs (plus profit) of these items. The appraisers also set forth examples in the report noting the difference between the leased fee and the fee simple is the crux of the valuation problem. It was asserted that the market will not pay for the cost of the existing façade, finishes, etc. of the build-to-suit tenant; as a result, those cost items are lost to functional and external obsolescence and illustrates an accelerated depreciation in these types of properties like the subject (Appraisal, p. 9-10).

Under the cost approach, the appraisers opined a market value of \$720,000 as summarized on page 38 of the report.

Under the income approach to value, the appraisers opined a market value of \$720,000 through analysis of five rental comparables, two of which reflect lease dates in 2013 and 2014 and three of which are available for rent. The rentals range in size from 1,547 to 9,890 square feet of building area and develop a range of rental rates from \$7.00 to \$12.48 per square foot of net rentable area. The appraisers estimated the subject property would have a market rent of \$11.00 per square foot of building area on a net basis resulting in a potential gross income of \$82,225. Vacancy and collection loss was estimated to be 10% or \$8,223 resulting in an effective gross income of \$74,002. The appraisers estimated expenses to be \$6,309 resulting in a net operating income of \$67,693. Next, the appraisers applied a loaded capitalization rate of 9.4% in order to estimate the subject's market value as \$720,000, rounded (Appraisal, p. 39-55).

Under the sales comparison approach to value, the appraisers opined a market value of \$725,000. The appraisal report sets forth data on six comparable sales located in Lindenhurst, Grayslake, Waukegan, Ingleside and Lindenhurst. The comparables range in size from 4,100 to 10,244 square feet of building area and sold between February 2013 and January 2015 for prices ranging from \$62.96 to \$97.56 per square foot of building area, including land. At page 74, the appraisal report states there were relatively few arm's-length sales of similar sized, free-standing retail buildings in the subject's immediate market area. Therefore, the appraisers included a former

restaurant building and two auto dealerships which the appraisers opined offered similar finishes and a similar land-to-building ratio to the subject. Included among the sales were three distressed sales which "illustrates that current market conditions of this type of property." After considering adjustments to the comparable sales for differences when compared to the subject property and giving weight to sales #1 and #2 which were near the top of the sales range, the appraisers opined a market value for the subject of \$97.00 per square foot or \$725,000, rounded (Appraisal, p. 56-74).

In reconciliation of the three approaches to value, the appraisers gave primary consideration to the sales comparison approach and also determined the income approach was a reliable indicator. The appraisers concluded a value for the subject property of \$725,000.

Based on the foregoing appraisal evidence, the appellant requested a total 2018 assessment reflective of the appraised value conclusion at the statutory level of assessment of 33.33%.

The board of review submitted its "Board of Review Notes on Appeal" disclosing the total assessment for the subject of \$296,695. The subject's assessment reflects a market value of \$896,901 or \$119.99 per square foot of building area, land included, when using the 2018 three year average median level of assessment for Lake County of 33.08% as determined by the Illinois Department of Revenue.

In response to the appraisal evidence, the board of review submitted a memorandum criticizing the appraisal. The board of review noted that effective date of valuation of January 1, 2015 was three years prior to the lien date at issue of January 1, 2018. Of the comparable sales in the appraisal, the board of review noted that five occurred in 2013 and 2014, again dates which are distant from the lien date at issue. Furthermore, the board of review asserted that four of the comparable sales were foreclosure/REO/bank owned sales which were summarily characterized as distress sales in the memorandum; no documentation was submitted by the board of review to support these assertions. The board of review also asserted that data utilized in the cost and income approaches of the appellant's appraisal report were dated. In conclusion, the board of review asserted that none of the comparable properties were similar to the subject in design and appeal, and only one was similar in age.

In support of its contention of the correct assessment, the board of review submitted information consisting of three CoStar data sheets and one Multiple Listing Service (MLS) data sheet for a property described as being an "auto oriented" (Merlin Muffler Shop) facility located in the subject's market area. The board of review failed to summarize these four comparable sales in a grid analysis; the Property Tax Appeal Board has attempted to analyze the raw CoStar and MLS data as set forth below.

The comparables are improved with one-story commercial buildings located in Grayslake, Round Lake Beach, Gurnee and Fox Lake, respectively. The buildings range in size from 6,251 to 9,418 square feet of building area and were constructed from 2005 to 2012. The sites range in size from 38,768 to 63,162 square feet of land area or from .89 of an acre to 1.45-acres. These properties sold from August 2015 to March 2018 for prices ranging from \$870,000 to \$2,680,000 or from \$139.18 to \$406.89 per square foot of building area, including land.

As stated above, the board of review provided the three CoStar reports and an MLS data sheet for the comparable sales it presented. The data for comparable sales #1 and #2 each concern Advanced Auto Parts buildings that were each fully leased by a single tenant at the time of sale. Comparable #1 was reported as an investment sale for \$2,034,444 or \$406.89 per square foot in the transaction notes even though the CoStar document also reports the asking price for the property was \$750,000 or \$216.02 per square foot of building area, including land. The CoStar report for comparable #2 depicts the property sold as a 1031 exchange with a triple net lease in place and under transaction notes, it was reported that Hanley Investment Group represented both sides of the transaction. Comparable #3 depicts an AutoZone property which CoStar depicted sold for \$2,680,000 or \$363.64 per square foot of building area, including land; the sale was reported as an investment with a triple net lease in place. Transaction notes depict that "the seller was motivated to divest the property because the current AutoZone lease has less than ten years remaining" and noted the seller was seeking longer term leased properties whereas the buyer was attracted to the property's cash flow. The MLS data sheet for comparable #4 described the property as having two tenants and further noted there was a long term lease with a well known auto-service provider. The property was a 1031 exchange opportunity and the reported remaining lease period was more than 14 years with option of a 25 year total lease for one auto service provider.

The board of review also submitted a memorandum prepared by Lorry Spencer of the Grant Township Assessor's Office with two spreadsheets consisting of equity data where one of the properties listed sold. The township assessor reiterated that the appellant's appraisal with a valuation date of 2015 was "too old and does not reflect the current value." As the assessor's equity data is not responsive to the appellant's overvaluation argument, the Board will not further address the evidence of eleven equity comparables purportedly consisting of six AutoZone and five Napa/O'Reilly/Advanced comparables.

In the AutoZone spreadsheet, comparable #1 is reportedly located in Warren and consists of a 63,162 square foot parcel that is improved with a 7,360 square foot building. The property reportedly sold in March 2018 for \$2,680,000 or \$364.13 per square foot of building area, including land. While there is insufficient data in the assessor's grid analysis to make the comparison and there is a slight ten square foot size discrepancy, the Board finds it is highly likely that this reported sale is the same property as board of review comparable #3 which was fully discussed earlier in this decision.

Based on the foregoing sales of these fully leased properties, the board of review requested confirmation of the subject's estimated market value as reflected by its assessment.

Furthermore, the Property Tax Appeal Board also takes judicial notice of a stipulation of the parties concerning this parcel for tax year 2015 that was submitted in Docket No. 15-03289.001-C-1 and a decision on the merits in Docket No. 17-02903.001-C-1. (86 Ill.Admin.Code §1910.90(i)). As a result of the parties' agreement, the Board entered a total assessment of \$250,808 which would reflect a market value of \$755,901 or \$101.12 per square foot of building area, land included, when using the 2015 three year average median level of assessment for Lake County of 33.18% as determined by the Illinois Department of Revenue. As a result of a decision issued based on equity and the weight of the evidence, a reduction in the 2017 assessment of the subject property was issued to \$241,643.

Conclusion of Law

The appellant contends the market value of the subject property is not accurately reflected in its assessed valuation. When market value is the basis of the appeal the value of the property must be proved by a preponderance of the evidence. 86 Ill.Admin.Code §1910.63(e). Proof of market value may consist of an appraisal of the subject property, a recent sale, comparable sales or construction costs. 86 Ill.Admin.Code §1910.65(c). The Board finds the appellant met this burden of proof and a reduction in the subject's assessment is warranted.

The appellant submitted an appraisal of the subject property with an effective date of valuation of January 1, 2015 and the board of review submitted four suggested comparable sales as evidence of the estimated market value of the subject property. The Property Tax Appeal Board has given little weight to the four sales presented by the board of review as each sale depicts a sale transaction involving a fully leased property.¹ In addition, the board of review did not make any type of qualitative or quantitative analysis of the sales and those comparables sold from 2015 to 2018, making two of the four sales, somewhat dated with reference to the January 1, 2018 assessment date at issue. Most important, the data provided by the board of review indicated that each of its comparables were reported to be fully leased at the time of sale. As indicated in several portions of the appellant's appraisal report the sales of leased-fee properties without adjusting for those rights is not reflective of the value of the fee simple interest in the property that includes the entire bundle of rights; "fee simple" is another way to say the property rights appraised include the typical bundle of rights in property ownership. Under real estate principles, when a purchaser buys a property that is fully leased, the purchaser is buying an income stream associated with the long term leases rather than just the physical property which principle was also referred to in the appraisal report.

The Board finds the best evidence of market value in this record is the appraisal of the subject property submitted by the appellant estimating the subject property had a market value of \$725,000, land included, as of January 1, 2015. The appraisers developed all three approaches to value and primarily relied upon the sales comparison approach to value using six comparable sales to conclude the fee simple market value of the subject. In analyzing the sales, the appraisers made adjustments for sale conditions, location, building size, age/condition and/or parking.

Based on this record and giving due consideration to the 2015 and 2017 assessment determinations of the subject property, the Board finds a reduction in the subject property's assessment commensurate with the appellant's request is warranted.

¹ The Board recognizes the presentation of a sale in March 2018 presented by the township assessor which appears to be duplicative of board of review comparable #3.

This is a final administrative decision of the Property Tax Appeal Board which is subject to review in the Circuit Court or Appellate Court under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code. Pursuant to Section 1910.50(d) of the rules of the Property Tax Appeal Board (86 Ill.Admin.Code §1910.50(d)) the proceeding before the Property Tax Appeal Board is terminated when the decision is rendered. The Property Tax Appeal Board does not require any motion or request for reconsideration.



Chairman



Member



Member



Member



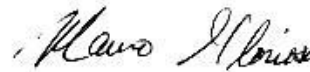
Member

DISSENTING: _____

CERTIFICATION

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: June 16, 2020



Clerk of the Property Tax Appeal Board

IMPORTANT NOTICE

Section 16-185 of the Property Tax Code provides in part:

"If the Property Tax Appeal Board renders a decision lowering the assessment of a particular parcel after the deadline for filing complaints with the Board of Review or after adjournment of the session of the Board of Review at which assessments for the subsequent year or years of the same general assessment period, as provided in Sections 9-125 through 9-225, are being considered, the taxpayer may, within 30 days after the date of written notice of the Property Tax Appeal Board's decision, appeal the assessment for such subsequent year or years directly to the Property Tax Appeal Board."

In order to comply with the above provision, YOU MUST FILE A PETITION AND EVIDENCE WITH THE PROPERTY TAX APPEAL BOARD WITHIN 30 DAYS OF THE DATE OF THE ENCLOSED DECISION IN ORDER TO APPEAL THE ASSESSMENT OF THE PROPERTY FOR THE SUBSEQUENT YEAR OR YEARS. A separate petition and evidence must be filed for each of the remaining years of the general assessment period.

Based upon the issuance of a lowered assessment by the Property Tax Appeal Board, the refund of paid property taxes is the responsibility of your County Treasurer. Please contact that office with any questions you may have regarding the refund of paid property taxes.

PARTIES OF RECORD

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